



March 4, 2009

Co-Chair Edward Meyer
Co-Chair Richard Roy
Senator John McKinney
Representative Clark J. Chapin

Environment Committee:

The Independent Connecticut Petroleum (ICPA) asks the Environment Committee to oppose S.B. 1019, AN ACT REQUIRING BIODIESEL-BLENDED HEATING OIL AND DIESEL FUEL.

ICPA represents over 550 petroleum marketers and their associated business in Connecticut. ICPA members employ over 13,000 people in our state and serve more than 680,000 of our fellow citizens with heating oil each year.

ICPA has been a leading advocate of biodiesel in Connecticut for several years. Our organization has invested more than \$300,000 in television and internet advertizing promoting its use just last year.

Unfortunately, a mandate at this time is not a policy that we can support. The bill fails to recognize that approximately a quarter of the fuel consumed in Connecticut comes from New York, Rhode Island and Massachusetts. Without adequate biodiesel supply in our neighboring states we would literally cut small family owned business off from being able to obtain fuel and their ability to keep their customers warm.

In 2006 this committee and the legislature recognized the need to ensure that Connecticut is able to obtain heating fuel from all of its points of supply (NY, RI and MA) and they passed a law (Public Act 06-143) to do just that. This law coordinates Connecticut's switch to a different fuel when the states that we boarder do the same. Biodiesel in no different and should be treated the same.

We are further concerned about the January implementation date that is stated in the bill. 80% of heating oil is consumed between November and March, a January implementation date would be problematic considering it is the busiest time of the year for heating oil suppliers and retailers.

Another issue that needs to be addressed is the ability for the state to implement waivers in the event of supply emergencies. This year, several retailers were unable to obtain biodiesel during the peak of the heating season. Without a system to obtain a waiver when supplies are short where would we get fuel to heat 680,000 peoples home?

Our association believes that the best means to integrate biodiesel into our fuel mix is to make sure that it is of the highest quality. The fastest way to shake the public's confidence in biodiesel is poor performance. We recommend that all biodiesel in Connecticut meet the highest quality standard (BQ-9000) so that any operational issues that may occur are not caused by the quality of fuel used.

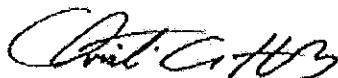
Finally, any move to biodiesel at this time should be specific to heating oil and exclude transportation fuel. Although biodiesel that is used to fuel vehicles has benefits, many have found it to be problematic. Several of our members who market biodiesel have found that vehicle fleets experience problems upon the introduction of biodiesel into the fleet and additional problems in colder weather.

Before mandating any fuel we ask that you consider what the availability of supply is, quality, price stability, orderly transition time to introduce the fuel and the ability to implement waivers in the event of a shortage.

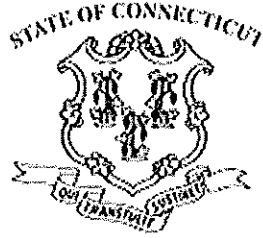
Biodiesel is the future fuel for Connecticut and our county, but certain controls must be in place before a mandate is practical.

ICPA urges the Environment Committee to oppose S.B. 1019, AN ACT REQUIRING BIODIESEL-BLENDED HEATING OIL AND DIESEL FUEL.

Respectfully,

A handwritten signature in black ink, appearing to read "Chris Herb", written in a cursive style.

Christian A. Herb
Associate Director



Substitute Senate Bill No. 193

Public Act No. 06-143

AN ACT CONCERNING THE SULFUR CONTENT OF HOME HEATING OIL AND OFF-ROAD DIESEL FUEL AND EXEMPTING COMMERCIAL HEATING OIL CONTAINING CERTAIN ALTERNATIVE FUELS FROM THE PETROLEUM GROSS EARNINGS TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 16a-21a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

- (a) The amount of [sulphur] sulfur content of the following fuels sold, offered for sale, distributed or used in this state shall not exceed the following percentages by weight: (1) For number two heating oil, three-tenths of one per cent, and (2) for number two off-road diesel fuel, three-tenths of one per cent.
- (b) As of the date on which the last of the states of New York, Massachusetts and Rhode Island limit the sulfur content of number two heating oil to one thousand five hundred parts per million, the sulfur content of number two heating oil sold, offered for sale, distributed or used in this state shall not exceed one thousand five hundred parts per million.
- (c) As of the date on which the last of the states of New York, Massachusetts and Rhode Island limit the sulfur content of number two heating oil to one thousand two hundred fifty parts per million, the sulfur content of number two heating oil sold, offered for sale, distributed or used in this state shall not exceed one thousand two hundred fifty parts per million.
- (d) As of the date on which the last of the states of New York, Massachusetts and Rhode Island limit the sulfur content of number two heating oil to five hundred parts per million, the sulfur content of number two heating oil sold, offered for sale, distributed or used in this state shall not exceed five hundred parts per million.
- (e) As of the date on which the last of the states of New York, Massachusetts and Rhode Island limit the sulfur content of number two off-road diesel fuel to five hundred parts per million, the sulfur content of number two off-road diesel fuel offered for sale, distributed or used in this state shall not exceed five hundred parts per million.

[(b)] (f) The Commissioner of Environmental Protection may suspend the requirements of

[subsection (a)] subsections (a) to (e), inclusive, of this section if [he] the commissioner finds that the physical availability of fuel which complies with such requirements is inadequate to meet the needs of residential, commercial or industrial users in this state and that such inadequate physical availability constitutes an emergency provided [he] the commissioner shall specify in writing the period of time such suspension shall be in effect.

Sec. 2. Subdivision (2) of subsection (b) of section 12-587 of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2006, and applicable to income years commencing on or after January 1, 2006*):

(2) Gross earnings derived from the first sale of the following petroleum products within this state shall be exempt from tax: (A) Any petroleum products sold for exportation from this state for sale or use outside this state; (B) the product designated by the American Society for Testing and Materials as "Specification for Heating Oil D396-69", commonly known as number 2 heating oil, to be used exclusively for heating purposes or to be used in a commercial fishing vessel, which vessel qualifies for an exemption pursuant to section 12-412, as amended; (C) kerosene, commonly known as number 1 oil, to be used exclusively for heating purposes, provided delivery is of both number 1 and number 2 oil, and via a truck with a metered delivery ticket to a residential dwelling or to a centrally metered system serving a group of residential dwellings; (D) the product identified as propane gas, to be used exclusively for heating purposes; (E) bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil to be used in any vessel having a displacement exceeding four thousand dead weight tons; (F) for any first sale occurring prior to July 1, 2008, propane gas to be used as a fuel for a motor vehicle; (G) for any first sale occurring on or after July 1, 2002, grade number 6 fuel oil, as defined in regulations adopted pursuant to section 16a-22c, to be used exclusively by a company which, in accordance with census data contained in the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 edition, is included in code classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in the North American Industrial Classification System United States Manual, United States Office of Management and Budget, 1997 edition; (H) for any first sale occurring on or after July 1, 2002, number 2 heating oil to be used exclusively in a vessel primarily engaged in interstate commerce, which vessel qualifies for an exemption under section 12-412, as amended; (I) for any first sale occurring on or after July 1, 2000, paraffin or microcrystalline waxes; [or] (J) for any first sale occurring prior to July 1, 2008, petroleum products to be used as a fuel for a fuel cell, as defined in subdivision (113) of section 12-412, as amended, or (K) a commercial heating oil blend containing not less than ten per cent of alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to, biodiesel or low sulfur dyed diesel fuel.

Approved June 6, 2006